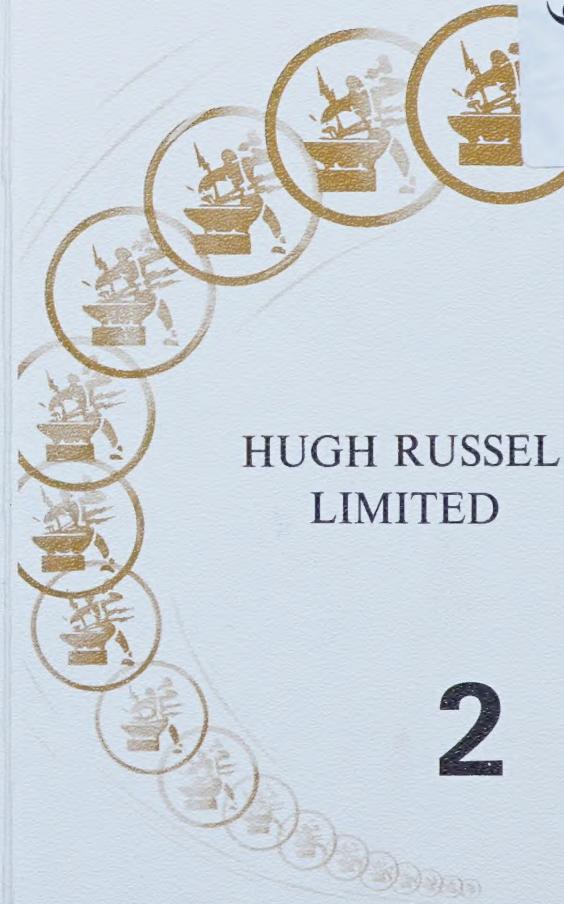


CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
 For the six months ended June 30, 1973  
 (with comparative figures for 1972)  
 (unaudited)

	1973	1972
<b>Funds were obtained from:</b>		
Operations — Net Earnings for the period	\$ 2,180,025	\$ 888,505
Expenses not requiring a current cash outlay		
Depreciation	367,606	361,744
Income taxes — deferred portion	25,130	107,527
	<u>2,572,761</u>	<u>1,357,776</u>
Employees' share purchase plan	63,090	59,688
Stock options exercised	316,757	80,242
Other long-term debt	—	83,000
Sale of fixed assets (net)	17,960	117,051
Contributed surplus	—	77,059
Increase in contractual obligation	28,733	—
Issue of Series "C" debentures	5,000,000	—
Issue of additional common shares (net)	5,637,188	—
	<u>13,636,489</u>	<u>1,774,816</u>
<b>Funds were applied to:</b>		
Purchase shares of subsidiary	—	1,500,000
Less working capital acquired	<u>—</u>	<u>1,809,042</u>
	<u>—</u>	<u>(309,042)</u>
Additions to facilities	556,087	362,170
Pay dividends on common shares	303,067	130,038
Pay dividends on preferred shares	72,182	104,268
Retire debentures	99,000	34,000
Retire other long-term debt	55,517	7,162
Redeem preference shares	—	14,500
Increase in premium on business previously acquired	69,927	127,240
Repay contractual obligation	779,403	342,349
	<u>1,935,183</u>	<u>812,685</u>
Increase in working capital	<u>\$11,701,306</u>	<u>\$ 962,131</u>

SECOND QUARTER REPORT  
 1973

AR49



HUGH RUSSEL  
 LIMITED

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8 KING STREET EAST, TORONTO, ONTARIO  
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**HUGH RUSSEL LIMITED  
SECOND QUARTER - 1973 RESULTS  
NET EARNINGS UP 145%**

**SALES AND EARNINGS**

Results for the first six months of 1973 show continued record sales and earnings being achieved by Hugh Russel Limited. Sales for the first six months of 1973 of \$59,400,527, were 35 per cent higher than the corresponding period in 1972.

Net earnings for the first six months of 1973 were \$2,180,025, a 145 per cent increase over the \$888,505 earned during the first half of 1972. It should be noted that the net earnings for the three months ending June 30, 1973, were in excess of the net earnings for the six months ended June 30, 1972.

On a fully diluted basis, earnings per common share for the six months ended June 30, 1973, increased 93 per cent to \$0.85 after giving recognition to a 25 per cent increase in the number of shares outstanding.

Demand for the Company's products and services is strong and it is anticipated that this demand will continue into 1974.

**DIVIDENDS**

The dividend to common shareholders was increased from an annual rate of 28¢ per share to 30¢ per share, effective June 15, 1973. The dividend will be reviewed regularly to ensure it reflects the growth in earnings.

**NEW INVESTMENTS**

Early in July, the acquisition of Vincent Steel and Service Limited was completed. This important expansion of the steel distribution division's activities in Ontario is the first investment drawing on the substantial funds raised for growth earlier in the year.

As a result of increased activity and substantial growth potential Ceeco Machinery in July opened a manufacturing plant in Sao Paulo, Brazil, to serve the growing South American market. Orders for equipment of approximately \$500,000 have been received and additional business appears imminent.

**HUGH RUSSEL LIMITED AND SUBSIDIARY COMPANIES**  
Consolidated Income Statement  
For the three and six-month periods ended June 30, 1973  
(with comparative figures for 1972)  
(unaudited)

	1973		1972	
	3 Months	6 Months	3 Months	6 Months
Net Sales	\$33,815,826	\$59,400,527	\$25,050,245	\$44,126,840
Earnings from operations before deducting the following:				
Depreciation	\$ 3,363,107	\$ 5,265,884	\$ 1,598,995	\$ 2,707,238
Interest on short-term debt	187,715	367,606	181,724	361,744
Interest on long-term debt	107,666	224,298	182,804	318,888
	251,214	465,972	119,897	245,513
Earnings before income taxes	2,816,512	4,208,008	1,114,570	1,781,093
Provision for income taxes	1,325,191	2,027,983	559,833	892,588
Net earnings for the period	\$ 1,491,321	\$ 2,180,025	\$ 554,737	\$ 888,505
Fully diluted earnings per share	\$0.58	\$0.85	\$0.28	\$0.44
Average number of fully diluted shares outstanding	2,574,657	2,574,657	2,059,742	2,059,742